

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 1005 - HB 1105

March 17, 2015

SUMMARY OF BILL: Enacts the County Road Relief Act of 2015 that authorizes any county having an unexpected balance of funds accrued in the state treasury, available for the benefit of the county in the state highway aid system, to use the balance in whole or in part, for providing the local government share for a project, provided the county contributes at least two percent of the approved project costs from county funds, or from in-kind project work approved by the Commissioner of the Department of Transportation, and the project is initiated during FY15-16 or FY16-17.

ESTIMATED FISCAL IMPACT:

On March 3, 2015, a fiscal note was issued estimating a fiscal impact as follows:

Other Fiscal Impact – The net change in expenditures to local government in FY15-16 and FY16-17 cannot be reasonably determined. Possible increases in state expenditures in FY15-16 and FY16-17. The extent of any such impacts cannot be determined for such impacts are dependent upon multiple unknown factors.

Due to additional information received for the bill, the fiscal impact is being corrected as follows:

(CORRECTED)

Other Fiscal Impact – Enables counties to make a permissive, non-recurring increase in expenditures for local roads in FY15-16 and FY16-17 only. The extent of any temporary spending increase cannot be determined from available information, but it represents a shifting forward of expenditures for local roads from future years rather than an overall increase in expenditures for local roads.

Corrected Assumptions:

- Under current law, a portion of the state gas tax is allocated to each county to support construction and maintenance of local roads. Pursuant to Tenn. Code Ann. § 54-4-404 these funds remain available to the counties until expended, but subject to a restriction that no more than 75 percent of the cost of any local road project may be drawn from these funds (with at least 25 percent of the cost covered by other local funds).

- These allocated state gas tax funds for each county are available to only that county, spent at the discretion of that county, and cannot be reduced or reallocated under current law.
- Temporarily lowering the ratio of other local funds required for a county to draw from its allocated state gas tax funds, down to two percent (from 25 percent), as provided for by this bill, may encourage counties to undertake certain road projects sooner they might have otherwise.
- As a result, local government expenditures on roads in FY15-16 or in FY16-17 could increase relative to what would have occurred otherwise under current law.
- For each \$1,000,000 of costs on any road project undertaken, under the provisions of this bill, the reduction in support required from other local funds could be as much as \$230,000 $[(\$1,000,000 \times 25\%) - (\$1,000,000 \times 2\%)]$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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